

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES

**Consolidated Financial Statements Together with
Report of Independent Public Accountants**

For the Year Ended December 31, 2016



DECEMBER 31, 2016

CONTENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	2
Consolidated Statement of Activities and Changes in Net Assets	3
Consolidated Statement of Cash Flows	4
Notes to the Consolidated Financial Statements	5
Supplemental Information	
Schedule of Functional Expenses	15
Consolidated Statement of Financial Position	16
Consolidated Statement of Activities and Changes in Net Assets	18



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors
American Humanist Association

We have audited the accompanying financial statements of American Humanist Association (the Organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Sterling, VA
May 2, 2017

Potomac CPAs + Consultants, LLC

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES
Statement of Financial Position
For the Year Ended December 31, 2016 with Comparative 2015 Total

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 599,387	\$ 797,005
Investments	3,168,723	5,363,267
Accounts receivable, net	297,937	127,931
Prepaid Expenses	19,035	30,819
Cash and securities set aside for annuity payment obligations	1,135,375	1,080,439
Cash surrender value of life insurance policy	8,465	8,631
Property and equipment net of accumulated depreciation	4,000,728	385,466
Other Assets	181,039	183,158
Total Assets	\$ 9,410,689	\$ 7,976,716
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 333,921	\$ 100,466
Accrued expenses and other liabilities	82,807	72,607
Payment obligations under annuity contracts	357,543	329,598
Other Liabilities	96,357	108,833
Total Liabilities	870,628	611,504
Net Assets		
Unrestricted net assets	7,868,070	5,548,449
Temporarily restricted net assets	334,664	1,479,436
Permanently restricted net assets	337,327	337,327
Total Net Assets	8,540,061	7,365,212
Total Liabilities and Net Assets	\$ 9,410,689	\$ 7,976,716

The accompanying notes are an integral part of these financial statements.

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2016 with Comparative 2015 Total

	<u>2016</u>	<u>2015</u>
CHANGE IN UNRESTRICTED NET ASSETS		
Revenue, Gains and Support		
Contributions	\$ 1,367,166	\$ 1,096,981
Bequests	285,387	763,835
Membership	398,074	381,862
Humanist magazine	55,775	59,725
Conference and seminars	100,395	104,517
Publication sales	18,861	33,093
Grants	15,000	-
Legal settlements	49,699	135,806
Management fees	26,056	9,750
Professional fees	33,637	27,591
Other income	8,350	21,197
Interest and dividends	136,759	167,848
Net unrealized gain (loss) on investments	78,290	(409,902)
Net realized gain on investments	68,400	261,230
Net realized gain on the sale of building	1,172,107	-
Change in valuation of annuity payment obligation	(81,132)	(66,153)
Net assets released from restrictions	1,246,005	48,121
Total Revenue and Support	<u>4,978,829</u>	<u>2,635,501</u>
Expenses		
Program Services: Education and public awareness	2,255,935	2,462,989
Fundraising	301,816	283,919
Management and general administrative	101,457	130,969
Total Expenses	<u>2,659,208</u>	<u>2,877,877</u>
Change in Unrestricted Net Assets	<u>2,319,621</u>	<u>(242,376)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Dividends	4,971	37,870
Contributions	79,729	2,413
Net realized gain on investments	1,726	3,405
Net unrealized gain (loss) on investments	14,807	(45,376)
Net assets released from restrictions	(1,246,005)	(48,121)
Change in Temporarily Restricted Net Assets	<u>(1,144,772)</u>	<u>(49,809)</u>
CHANGE IN NET ASSETS		
Changes in Net Assets	1,174,849	(292,185)
Net Assets, Beginning of Year	7,365,212	7,657,397
Net Assets, End of Year	<u>\$ 8,540,061</u>	<u>\$ 7,365,212</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES
Statement of Cash Flows
For the Year Ended December 31, 2016 with Comparative 2015 Total

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 1,174,849	\$ (292,185)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	25,174	29,978
Realized and Unrealized (gain) loss on investments	(163,223)	190,643
Change in valuation of annuity obligations	81,032	63,535
(Increase) decrease in accounts receivable	(170,006)	58,396
(Increase) decrease in other assets	13,903	15,174
Increase (decrease) in accounts payable	233,455	(1,267)
Increase (decrease) in accrued expenses and other liabilities	(2,276)	17,852
Net Cash from Operating Activities	<u>1,192,908</u>	<u>82,126</u>
Cash Flows from Investing Activities		
(Acquisition) / disposition of fixed assets	(3,640,436)	(4,117)
(Increase) decrease in cash surrender value of life insurance policy	166	113
Increase (decrease) in cash balances in investment accounts	(37,782)	43,388
Proceeds from sales of investment securities	6,406,169	1,662,578
Purchase of investment securities	(4,065,556)	(1,466,287)
Net Cash from Investing Activities	<u>(1,337,439)</u>	<u>235,675</u>
Cash Flows from Financing Activities		
Donated annuity contracts	-	10,000
Payments to annuitants	(53,087)	(66,538)
Net Cash from Financing Activities	<u>(53,087)</u>	<u>(56,538)</u>
Net Change in Cash and Cash Equivalents	(197,618)	261,263
Cash and Cash Equivalents, Beginning of Year	797,005	535,742
Cash and Cash Equivalents, End of Year	<u>\$ 599,387</u>	<u>\$ 797,005</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1: ORGANIZATION

The consolidated financial statements include the accounts of the American Humanist Association, the Humanist Foundation, the Humanist Society, and the Center for Freethought Equality of the American Humanist Association. All intercompany transactions and accounts have been eliminated. The consolidated financial statements do not include the operations and accounts of local chapters of the American Humanist Association that are organized and operated as separate entities.

The American Humanist Association (AHA) was organized under the laws of the State of Illinois as a not for profit corporation in 1943. The mission of the American Humanist Association is to be a clear, democratic voice for Humanism in the United States, to increase public awareness and acceptance of Humanism, to establish, protect and promote the position of Humanists in our society, and to develop and advance Humanist thought and action.

The Humanist Foundation (HF) was incorporated under the Revised Iowa Nonprofit Corporations Act in 2012 for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. HF is the endowment fund that supports the activities of AHA - its sole member. Prior to its incorporation in 2012, HF operated as the Humanist Foundation of the American Humanist Association - a component of AHA.

The Humanist Society (the Society) was established in 1939 to promote a scientific, humanistic life stance.

The Center for Freethought Equality (CFE) was incorporated in 2004 under the Nonprofit Corporation Act of the District of Columbia for educational purposes within the meaning of Section 501(c)(4) of the Internal Revenue Code. CHA is an educational philosophic organization in support of the life stance of Humanism that will present a Humanist perspective to the general public. In 2014, the Center for Freethought Equality changed its name to the Center for Freethought Equality in order to improve its outreach efforts.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements are prepared on the accrual basis of accounting and include the accounts of the entities listed in Note 1, collectively referred to as “the Organization”.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although actual results could differ from these estimates, management does not believe that such differences will be material.

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax status

The American Humanist Association and The Humanist Society are exempt from the payment of income taxes on their exempt activities under Section 501(c)(3) of the Internal Revenue Code and are both classified as other than private foundations within the meaning of Section 509(a)(1) of the Internal Revenue Code. Both entities are also exempt from District of Columbia taxes.

The Humanist Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a Type II supporting organization under section 509(a)(3) of the Code.

The Center for Freethought Equality is exempt from Federal income taxes under Section 501(c)(4) of the Internal Revenue Code and is also exempt from District of Columbia income taxes.

The Organization adopted the accounting standard related to uncertain income tax positions. The standard requires that an uncertain income tax position must be more likely than not (greater than 50% likelihood of realization) before it is recognized in the financial statements. Furthermore, the standard requires that the amount recognized be the same as that which would be determined as a result of a review by tax authorities having all relevant information. During the year ended December 31, 2016 and 2015, management did not identify any uncertain income tax positions. At a minimum, the December 31, 2013 through 2015 tax years are open for examination by taxing authorities.

Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist primarily of cash on hand, deposits in banks and investment companies, and highly liquid investments with an original maturity of 90 days or less and certificates of deposits with maturities of less than one year.

Fair value of financial instruments

The organizations financial instruments consist of cash and cash equivalents, accounts receivable, investments in marketable securities, cash surrender value of life insurance policies, accounts payable, accrued expenses, notes payable and annuity payment obligations.

Receivables, cash surrender value of life insurance policies are reported at their net realizable value, which approximates fair value. Investments in marketable securities are reported at their fair value. All other financial instruments are stated at cost, which approximates fair value.

Accounts receivable

Grants and other receivable are carried at original pledge amount or invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. The Organizations estimate uncollectible amounts by identifying troubled accounts and using historical experience applied to outstanding accounts receivable.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are measured and reported at fair value. The fair value of debt securities, institutional mutual funds, and equity securities with a readily determinable fair value is based on quotations obtained from national security exchanges.

Property and equipment

Property, equipment, and leasehold improvements are reported at cost net of accumulated depreciation. Management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered. If the sum of the undiscounted expected future cash flows is less than the carrying amount of an asset, the Organizations recognize an impairment loss based on the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets or the lease term. The useful lives range five to 40 years. Maintenance and repair costs are expensed as incurred.

Net Assets

The Organization's net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Unrestricted net assets include gifts, pledges, and trusts as well as income and gains that are not subject to donor-imposed stipulations and include amounts designated by the Board of Directors for specific purposes.

Temporarily restricted net assets - Temporarily restricted net assets include gifts, pledges, and trusts as well as income and gains that can be expended, but for which restrictions have not yet been met. Such restrictions include purpose restrictions wherein donors have specified the purpose for which the net assets are to be spent or time restriction. When restrictions are fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted - Permanently restricted net assets include gifts, pledges, and trusts subject to donor-imposed stipulations to be invested in perpetuity, and only the income may be available for program operations.

Contributions, bequests and grants

Contributions and bequests are reported as revenue in the year the donor notifies the Organizations of his or her intent to make the donation. Grants are recognized as revenue during the period that the Organizations met all the grant requirements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions received in connection with annuity agreements

Contributions received from donors in connection with annuity payment obligations are reported as unrestricted contributions revenues net of the liability recorded for the estimated future payments to be made to the respective donors. The liability amount is reported based on the estimated future payments to each annuitant by taking into account the annuitant's age and life expectancy. As annuity contracts expire due to death of annuitants, the unpaid balance on the annuity contracts is recognized as period income in the unrestricted fund.

Membership dues

Membership dues are reported as income in the period that the dues are received.

Advertising Costs

Advertising costs are reported as expense when incurred.

Functional allocation of expenses

The Organizations summarize the cost of providing and managing their various programs and supporting activities on a functional basis in the accompanying consolidated statement of activities. Accordingly, certain costs are allocated among the benefiting program and supporting services based on specific identification or reasonable allocation methodologies.

NOTE 3: FAIR VALUE MEASUREMENT

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset or liability and a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to the Organizations assumptions (unobservable inputs).

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016 AND 2015

NOTE 3: FAIR VALUE MEASUREMENT (continued)

The three levels of the hierarchy are as follows:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets.
- Level 2 Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
 - Quoted prices for identical or similar assets in non-active markets;
 - Inputs other than quoted prices that are observable for the asset/liability; and
 - Inputs that are derived principally from or corroborated by other observable market data.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

The Organizations measure cash and cash equivalents and investment in marketable securities at fair value. In accordance with the fair value hierarchy described above, the following table shows the fair value of the Organizations financial assets that are required to be measured at fair value at December 31, 2016 and 2015:

December 31, 2016	FHA Endowment Fund	Designated for future operations	Designated for payment of annuities	Unrestricted Securities	Fair Value [Level 1]
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 599,387
Investments					
Mutual funds	22,331	-	662,678	1,583,869	2,268,878
Equity securities	61,726	150,212	415,615	1,048,169	1,675,722
Exchange-traded funds	-	1,102	-	-	1,102
Bond funds	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Preferred equity securities	-	-	-	-	-
Money market funds	-	-	-	-	-
Alternative fund	-	-	53,556	288,504	342,060
Cash balances in investment	-	8,452	3,526	4,358	16,336
Total investments	84,057	159,766	1,135,375	2,924,900	4,304,098
Total cash and investments	\$ 84,057	159,766	\$ 1,135,375	\$ 2,924,900	4,903,485

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016 AND 2015

NOTE 3: FAIR VALUE MEASUREMENT (continued)

December 31, 2015	Designated for Building Acquisition	Designated for future operations	Designated for payment of annuities	Unrestricted Securities	Fair Value [Level 1]
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 797,005
Investments					
Mutual funds	-	-	642,828	2,381,782	3,024,610
Equity securities	432,507	151,067	377,697	1,351,389	2,312,660
Exchange-traded funds	485,024	6,236	-	-	491,260
Bond funds	166,230	-	-	-	166,230
Corporate bonds	71,800	-	-	-	71,800
Preferred equity securities	63,727	-	-	-	63,727
Money market funds	11,918	-	-	-	11,918
Alternative fund	-	-	52,230	207,071	259,301
Cash balances in investment	-	-	7,684	34,516	42,200
Total investments	1,231,206	157,303	1,080,439	3,974,758	6,443,706
Total cash and investments	\$ 1,231,206	\$ 157,303	\$ 1,080,439	\$ 3,974,758	\$ 7,240,711

NOTE 4: INVESTMENT IN MARKETABLE SECURITIES

Net unrealized gains on investments were as follows:

2016	FHA Endowment Fund	Designated for future operations	Designated for payment of annuities	Unrestricted Securities	Total
Investments at fair value	\$ 84,057	\$ 159,766	\$ 1,135,375	\$ 2,924,900	\$ 4,304,098
Investments at cost or donated value	81,196	136,753	1,060,040	2,869,994	4,147,983
Unrealized gain	\$ 2,861	\$ 23,013	\$ 75,335	\$ 54,906	\$ 156,115

2015	Designated for Building Acquisition	Designated for future operations	Designated for payment of annuities	Unrestricted Securities	Total
Investments at fair value	\$ 1,231,206	\$ 157,303	\$ 1,080,439	\$ 3,974,758	\$ 6,443,706
Investments at cost or donated value	817,872	137,320	1,016,775	4,006,049	5,978,016
Unrealized gain	\$ 413,334	\$ 19,983	\$ 63,664	\$ (31,291)	\$ 465,691

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016 AND 2015

NOTE 4: INVESTMENT IN MARKETABLE SECURITIES (continued)

Net investment income including net realized and unrealized gain on marketable securities were as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 141,730	\$ 205,718
Realized gains	70,126	264,635
Unrealized gains / (losses)	<u>93,097</u>	<u>(455,278)</u>
Total investment income	304,953	15,075
Less: investment expenses	<u>(24,979)</u>	<u>(21,668)</u>
Net investment income	<u>\$ 279,974</u>	<u>\$ (6,593)</u>

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment at December 31 comprised:

	<u>2016</u>	<u>2015</u>
Land	2,532,769	119,388
Building	1,333,192	358,162
Building improvements	20,850	112,904
Furniture, equipment & software	<u>314,035</u>	<u>207,146</u>
Total	4,200,846	797,600
Accumulated depreciation and amortization	<u>(200,118)</u>	<u>(412,134)</u>
Net book value	<u>4,000,728</u>	<u>385,466</u>

NOTE 6: NOTE PAYABLE

In December 2010, AHA obtained an unsecured revolving credit facility with a maximum principal amount of \$100,000 from a commercial bank. The interest rate on borrowings under the credit facility was established at the highest Prime Rate published in the Money Rates section of The Wall Street Journal for the last day of the preceding calendar month. At December 31, 2016 and 2015, AHA did not owe any balance against the credit line.

NOTE 7: ANNUITY AGREEMENTS

At December 31, 2016, The Humanist Foundation was a party to Annuity Agreements (Agreements) it executed with thirteen (13) donors to the Humanist Endowment Fund. By the terms of the individual Agreements, each donor made a one-time contribution to the Endowment Fund with the understanding that AHA will use the funds for its educational and charitable activities pursuant to the Agreement of Trust of the American Humanist Association. As a consideration for the contribution from the donor, the Foundation agreed to make periodic annuity payments to the donor over the life of the donor. By the terms of the individual

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016 AND 2015

NOTE 7: ANNUITY AGREEMENTS (continued)

Agreements, the Foundation is discharged from its payment obligations upon the death of the annuitant. The total amount of contributions received from annuitants relative to the thirteen (13) unexpired annuity contracts as of December 31, 2016 and 2015 was \$846,875.

The periodic payment amount for each annuitant and the frequency of the payment were determined at the time the Foundation received the initial contribution from the donor. Both the periodic payment amount and the frequency of payment for each annuitant were based on an actuarial computation that took into account the donor's age and life expectancy; the expected rate of return on the trust amount; and a payout percentage that is below the expected rate of return.

In 2009, the Foundation established an investment sub-account and transferred a portion of its investment portfolio to the sub-account in order to fund the annuity payment obligations. At December 31, 2016, the fair value of the cash and marketable securities in the sub-account was \$1,135,375. The fair value of the cash and securities in the sub-account as of December 31, 2015 was \$1,080,439.

In 2016, the Foundation re-determined its estimate of its annuity payment obligations based on the age and related life expectancy of each annuitant as of December 31, 2016 and increased its previous estimate by \$81,032. The estimated payment obligation relative to the 13 active annuity contracts on December 31, 2016 and 15 contracts in 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Estimated Payment obligations on unexpired annuity contracts, beginning of year	\$ 329,598	\$ 322,601
Change in valuation of annuity payment obligations	81,032	63,535
New annuity contracts	-	10,000
Less annuity payments	<u>(53,087)</u>	<u>(66,538)</u>
Estimated payment obligation on active contracts, end of year	<u>\$ 357,543</u>	<u>\$ 329,598</u>

NOTE 8: ASSET ACQUISITION AGREEMENT

In 2009, the Institute for Humanist Studies (IHS) an entity exempt from federal income taxes under IRC Section 501(c)(3) and AHA executed an AHA/IHS Asset Acquisition Agreement (Agreement). Under the terms of the Agreement: (a) IHS transferred to AHA cash and investment securities with a fair value of \$741,831 from IHS's Endowment Fund; (b) AHA agreed to create and maintain a Humanist Center Building fund from the proceeds of the IHS Endowment Fund; and (c) AHA agreed to use the corpus of the Humanist Center Building Fund only to acquire a building in Washington, D.C., to house the Humanist Center. Interest and dividends earned on the fund can be used by AHA to cover its operating expenses.

The above referenced investment was liquidated in 2016 and the proceeds were used to purchase a building as designated by the terms of the agreement.

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016 AND 2015

NOTE 9: BUILDING PURCHASE

In August 2016, The Humanist Foundation sold its building at 1777 T St. NW, Washington, DC 20009 for \$1.7 million. It purchased a new building in November 2016 at 1821 Jefferson Place NW, Washington, DC 20036 for \$3.8 million.

NOTE 10: VOLUNTARY BOARD-APPROVED SEGREGATION OF UNRESTRICTED NET ASSETS

At December 31, 2016 and 2015, the Board of Directors of the American Humanist Association has designated the amounts, below, from its unrestricted net assets for the following purposes:

	<u>2016</u>	<u>2015</u>
Payment of annuity contracts	858,964	816,944
Total	<u>\$ 858,964</u>	<u>\$ 816,944</u>

The designations are voluntary and may be reversed by the governing boards at any time and, accordingly, the designated portions of net assets are not considered restricted.

NOTE 11: TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

At December 31, 2016 and 2015, temporarily and permanently restricted net assets comprised of:

	<u>2016</u>	<u>2015</u>
Temporarily Restricted		
Restricted for building acquisition	\$ -	\$ 1,231,205
Gamm Fund - for operations	152,085	151,067
Feminist Humanist Alliance	5,252	5,147
FHA Endowment Fund	84,057	-
Other Funds	93,270	92,017
Total Temporarily Restricted Net Asset	<u>\$ 334,664</u>	<u>\$ 1,479,436</u>
Permanently Restricted		
Fahnestock Trust - corpus to be maintained in perpetuity	\$ 337,327	\$ 337,327
Total Permanently Restricted	<u>\$ 337,327</u>	<u>\$ 337,327</u>

NOTE 12: RETIREMENT PLAN

All employees of the AHA and CFE are eligible to participate in the 403(b) and 401(k) retirement plans, respectively. Voluntary contributions by employees may be made up to the legal limit. Both AHA and CFE offer a match of up to 1% of gross salary per pay period along with a discretionary base contribution.

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016 AND 2015

NOTE 13: RELATED PARTY TRANSACTIONS

During 2016 and 2015, AHA had the following related party transactions with its affiliates:

	<u>2016</u>	<u>2015</u>
Management fees charged to HS	\$ 18,000	\$ 15,000
Management fees charged to CFE	6,000	6,000
Contributions to CFE	73,258	61,356
Contributions to HF	-	300,000
Contributions received from HF	400,000	231,253
Year-end receivable balance from CFE	6,831	3,866
Year-end receivable balance from HS	15,966	89
Year-end receivable balance from HF	25,865	14,537

NOTE 14: CONCENTRATIONS

Cash in financial institutions

The Organizations maintain demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government.

Investments

The Association and the Foundation invest funds in professional managed portfolio of marketable securities. Such investments are exposed to interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated statement of financial position.

The investment portfolio for The Foundation is managed by one investment firm and the investment portfolio includes stock funds that are actively managed by the firm.

NOTE 15: SUBSEQUENT EVENTS

In preparing these financial statements, the Corporations have evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued, May 2, 2017.

SUPPLEMENTARY INFORMATION

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES
Statement of Functional Expenses
For the Year Ended December 31, 2016 with Comparative 2015 Total

	2016				2015
	Program Services	Management and General	Fundraising	Total	Total
Salaries and Fringe Benefits	\$ 1,095,682	\$ 49,115	\$ 144,347	\$ 1,289,144	\$ 1,218,499
Promotion and Advertising	222,805	10,067	30,451	263,323	281,279
Conference & Meetings	182,182	8,316	26,067	216,565	223,636
Humanist Magazine	80,484	3,676	11,543	95,703	94,795
Professional Services	88,087	3,723	8,500	100,310	159,275
Travel & Entertainment	32,199	1,442	4,227	37,868	48,795
Facilities Expense	83,567	3,817	11,985	99,369	60,247
Litigation Expense	38,189	1,744	5,477	45,410	56,833
Books & Merchandise	7,627	342	1,009	8,978	17,559
Equipment Lease & Maintenance	15,302	699	2,195	18,196	17,592
Dues & Support	71,482	3,265	10,252	84,999	36,404
Internet & Telephone Expenses	59,216	2,593	6,958	68,767	67,873
Database Expenses	43,110	1,914	5,432	50,456	31,837
Postage and Freight	35,755	1,625	5,022	42,402	43,690
Free Mind Production	22,416	1,024	3,215	26,655	26,864
Investment Expenses	21,007	959	3,013	24,979	21,668
Bank Charges	19,462	887	2,772	23,121	20,605
Office Supplies	12,828	581	1,766	15,175	25,195
AHA Board/Election	39,031	1,783	5,598	46,412	43,013
Scholarship and Support	11,101	507	1,592	13,200	30,001
Miscellaneous	2,171	97	281	2,549	-
Capital Campaign Expenses	31,393	1,434	4,502	37,329	-
Annuity Administration Fee	2,388	109	342	2,839	2,096
Depreciation Expense	21,197	966	3,011	25,174	29,978
Bequests to Humanist Foundation	-	-	-	-	300,000
Annual AHA Funding	12,447	568	1,785	14,800	16,877
Printing Expense	1,680	61	25	1,766	
Tax Expense	3,127	143	449	3,719	3,266
Total	\$ 2,255,935	\$ 101,457	\$ 301,816	\$ 2,659,208	\$ 2,877,877

The accompanying notes are an integral part of these financial statements.

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES
Statement of Financial Position
For the Year Ended December 31, 2016

	American Humanist Association	Humanist Foundation	Humanist Society	Center for Freethought Equality	Total	Elimination	Consolidated
ASSETS							
Cash and cash equivalents	\$ 367,052	\$ 177,653	\$ 40,018	\$ 14,664	\$ 599,387	\$ -	\$ 599,387
Investments	-	3,168,723	-	-	3,168,723	-	3,168,723
Accounts receivable, net	278,280	13,850	1,507	27,097	320,734	(22,797)	297,937
Prepaid Expenses	19,035	-	-	-	19,035	-	19,035
Cash and securities set aside for annuity payment obligations	-	1,135,375	-	-	1,135,375	-	1,135,375
Cash surrender value of life insurance policy	-	8,465	-	-	8,465	-	8,465
Property and equipment net of accumulated depreciation	12,992	3,987,059	-	677	4,000,728	-	4,000,728
Other Assets	-	181,039	-	-	181,039	-	181,039
Total Assets	\$ 677,359	\$ 8,672,164	\$ 41,525	\$ 42,438	\$ 9,433,486	\$ (22,797)	\$ 9,410,689
LIABILITIES AND NET ASSETS							
Liabilities							
Accounts payable	\$ 211,370	\$ 124,453	\$ 12,899	\$ 7,996	\$ 356,718	\$ (22,797)	\$ 333,921
Accrued expenses and other liabilities	79,587	-	-	3,220	82,807	-	82,807
Payment obligations under annuity contracts	-	357,543	-	-	357,543	-	357,543
Other Liabilities	3,256	91,716	-	1,385	96,357	-	96,357
Total Liabilities	294,213	573,712	12,899	12,601	893,425	(22,797)	870,628
Net Assets							
Unrestricted net assets	373,947	7,435,660	28,626	29,837	7,868,070	-	7,868,070
Temporarily restricted net assets	9,199	325,465	-	-	334,664	-	334,664
Permanently restricted net assets	-	337,327	-	-	337,327	-	337,327
Total Net Assets	383,146	8,098,452	28,626	29,837	8,540,061	-	8,540,061
Total Liabilities and Net Assets	\$ 677,359	\$ 8,672,164	\$ 41,525	\$ 42,438	\$ 9,433,486	\$ (22,797)	\$ 9,410,689

The accompanying notes are an integral part of these financial statements.

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES
Statement of Financial Position
For the Year Ended December 31, 2015

	American Humanist Association	Humanist Foundation	Humanist Society	Center for Freethought Equality	Total	Elimination	Consolidated
ASSETS							
Cash and cash equivalents	\$ 413,484	\$ 311,455	\$ 13,164	\$ 58,902	\$ 797,005	\$ -	\$ 797,005
Investments	1,231,206	4,132,061	-	-	5,363,267	-	5,363,267
Accounts receivable, net	126,148	5,268	-	470	131,886	(3,955)	127,931
Prepaid Expenses	30,819	-	-	-	30,819	-	30,819
Cash and securities set aside for annuity payment obligations	-	1,080,439	-	-	1,080,439	-	1,080,439
Cash surrender value of life insurance policy	-	8,631	-	-	8,631	-	8,631
Property and equipment net of accumulated depreciation	16,314	368,237	-	915	385,466	-	385,466
Other Assets	-	183,158	-	-	183,158	-	183,158
Total Assets	\$ 1,817,971	\$ 6,089,249	\$ 13,164	\$ 60,287	\$ 7,980,671	\$ (3,955)	\$ 7,976,716
LIABILITIES AND NET ASSETS							
Liabilities							
Accounts payable	\$ 73,292	\$ 21,721	\$ -	\$ 9,408	\$ 104,421	\$ (3,955)	\$ 100,466
Accrued expenses and other liabilities	69,451	-	-	3,156	72,607	-	72,607
Payment obligations under annuity contracts	-	329,598	-	-	329,598	-	329,598
Other Liabilities	5,002	100,876	-	2,955	108,833	-	108,833
Total Liabilities	147,745	452,195	-	15,519	615,459	(3,955)	611,504
Net Assets							
Unrestricted net assets	428,855	5,061,662	13,164	44,768	5,548,449	-	5,548,449
Temporarily restricted net assets	1,241,371	238,065	-	-	1,479,436	-	1,479,436
Permanently restricted net assets	-	337,327	-	-	337,327	-	337,327
Total Net Assets	1,670,226	5,637,054	13,164	44,768	7,365,212	-	7,365,212
Total Liabilities and Net Assets	\$ 1,817,971	\$ 6,089,249	\$ 13,164	\$ 60,287	\$ 7,980,671	\$ (3,955)	\$ 7,976,716

The accompanying notes are an integral part of these financial statements.

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2016

	American Humanist Association	Humanist Foundation	Humanist Society	Center for Freethought Equality	Total	Elimination	Consolidated
CHANGE IN UNRESTRICTED NET ASSETS							
Revenue, Gains and Support							
Contributions	\$ 1,115,208	\$ 155,332	\$ 924	\$ 168,960	\$ 1,440,424	\$ (73,258)	\$ 1,367,166
Bequests	76,107	209,280	-	-	285,387	-	285,387
Membership	398,074	-	-	-	398,074	-	398,074
Humanist magazine	55,775	-	-	-	55,775	-	55,775
Conference and seminars	100,395	-	-	-	100,395	-	100,395
Publication sales	18,861	-	-	-	18,861	-	18,861
Grants	415,000	-	-	-	415,000	(400,000)	15,000
Legal settlements	49,683	16	-	-	49,699	-	49,699
Management fees	50,056	-	-	-	50,056	(24,000)	26,056
Building Fund Liquidation	-	1,179,350	-	-	1,179,350	(1,179,350)	-
Professional fees	-	-	33,637	-	33,637	-	33,637
Other income	4,480	-	3,870	-	8,350	-	8,350
Interest and dividends	55,794	80,911	12	42	136,759	-	136,759
Net unrealized gain (loss) on investments	(27,200)	105,490	-	-	78,290	-	78,290
Net realized gain on investments	(28,819)	97,219	-	-	68,400	-	68,400
Net realized gain on sale of building	-	1,172,107	-	-	1,172,107	-	1,172,107
Change in valuation of annuity payment obligation	-	(81,132)	-	-	(81,132)	-	(81,132)
Net assets released from restrictions	1,231,205	14,800	-	-	1,246,005	-	1,246,005
Total Revenue and Support	3,514,619	2,933,373	38,443	169,002	6,655,437	(1,676,608)	4,978,829
Expenses							
Program Services: Education and public awareness	3,001,902	470,423	19,326	174,937	3,666,588	(1,410,653)	2,255,935
Fundraising	430,523	67,467	2,772	2,634	503,396	(201,580)	301,816
Management and general administrative	137,102	21,485	883	6,362	165,832	(64,375)	101,457
Total Expenses	3,569,527	559,375	22,981	183,933	4,335,816	(1,676,608)	2,659,208
Change in Unrestricted Net Assets	(54,908)	2,373,998	15,462	(14,931)	2,319,621	-	2,319,621
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS							
Dividends	-	4,971	-	-	4,971	-	4,971
Contributions	(967)	80,696	-	-	79,729	-	79,729
Net realized gain on investments	-	1,726	-	-	1,726	-	1,726
Net unrealized gain (loss) on investments	-	14,807	-	-	14,807	-	14,807
Net assets released from restrictions	(1,231,205)	(14,800)	-	-	(1,246,005)	-	(1,246,005)
Change in Temporarily Restricted Net Assets	(1,232,172)	87,400	-	-	(1,144,772)	-	(1,144,772)
Changes in Net Assets	(1,287,080)	2,461,398	15,462	(14,931)	1,174,849	-	1,174,849
Net Assets, Beginning of Year	\$ 1,670,226	\$ 5,637,054	\$ 13,164	\$ 44,768	\$ 7,769,753	\$ (404,541)	\$ 7,365,212
Net Assets, End of Year	\$ 383,146	\$ 8,098,452	\$ 28,626	\$ 29,837	\$ 8,944,602	\$ (404,541)	\$ 8,540,061

The accompanying notes are an integral part of these financial statements.

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2015

	American Humanist Association	Humanist Foundation	Humanist Society	Center for Freethought Equality	Total	Elimination	Consolidated
CHANGE IN UNRESTRICTED NET ASSETS							
Revenue, Gains and Support							
Contributions	\$ 939,881	\$ -	\$ 6,619	\$ 211,840	\$ 1,158,340	\$ (61,359)	\$ 1,096,981
Bequests	463,835	300,000	-	-	763,835	-	763,835
Membership	381,862	-	-	-	381,862	-	381,862
Humanist magazine	59,725	-	-	-	59,725	-	59,725
Conference and seminars	104,517	-	-	-	104,517	-	104,517
Publication sales	33,093	-	-	-	33,093	-	33,093
Grants	231,253	-	-	-	231,253	(231,253)	-
Legal settlements	135,806	-	-	-	135,806	-	135,806
Management fees	30,750	-	-	-	30,750	(21,000)	9,750
Professional fees	-	-	27,591	-	27,591	-	27,591
Other income	1,826	12,000	6,808	563	21,197	-	21,197
Interest and dividends	17,404	150,310	8	126	167,848	-	167,848
Net unrealized gain (loss) on investments	-	(409,902)	-	-	(409,902)	-	(409,902)
Net realized gain on investments	-	261,230	-	-	261,230	-	261,230
Change in valuation of annuity payment obligation	-	(66,153)	-	-	(66,153)	-	(66,153)
Net assets released from restrictions	31,243	16,878	-	-	48,121	-	48,121
Total Revenue and Support	2,431,195	264,363	41,026	212,529	2,949,113	(313,612)	2,635,501
Expenses							
Program Services: Education and public awareness	2,202,199	328,542	21,851	177,402	2,729,994	(267,005)	2,462,989
Fundraising	270,397	40,340	2,683	2,672	316,092	(32,173)	283,919
Management and general administrative	119,878	17,884	1,189	6,452	145,403	(14,434)	130,969
Total Expenses	2,592,474	386,766	25,723	186,526	3,191,489	(313,612)	2,877,877
Change in Unrestricted Net Assets	(161,279)	(122,403)	15,303	26,003	(242,376)	-	(242,376)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS							
Dividends	34,500	3,370	-	-	37,870	-	37,870
Contributions	2,413	-	-	-	2,413	-	2,413
Net realized gain on investments	2,899	506	-	-	3,405	-	3,405
Net unrealized gain (loss) on investments	(42,342)	(3,034)	-	-	(45,376)	-	(45,376)
Net assets released from restrictions	(31,243)	(16,878)	-	-	(48,121)	-	(48,121)
Change in Temporarily Restricted Net Assets	(33,773)	(16,036)	-	-	(49,809)	-	(49,809)
Changes in Net Assets	(195,052)	(138,439)	15,303	26,003	(292,185)	-	(292,185)
Net Assets, Beginning of Year	\$ 1,865,278	\$ 5,775,493	\$ (2,139)	\$ 18,765	\$ 8,061,938	\$ (404,541)	\$ 7,657,397
Net Assets, End of Year	\$ 1,670,226	\$ 5,637,054	\$ 13,164	\$ 44,768	\$ 7,769,753	\$ (404,541)	\$ 7,365,212

The accompanying notes are an integral part of these financial statements.